

South Carolina Board of Economic Advisors

Statement of Estimated State Revenue Impact

Date: February 20, 2007

Bill Number: H.B. 3484

Authors: Edge, Leach, Witherspoon, *et. al.*

Committee Requesting Impact: House Ways and Means

Bill Summary

A bill to amend the code of laws of South Carolina, 1976, by enacting the "South Carolina Educational Opportunity Scholarship Act" by adding Chapter 18 to Title 12 so as to provide a credit for certain taxes for tuition paid to public or independent schools, to define certain terms, and to provide for reporting and accountability of the implementation of this chapter; by adding Article 6 to Chapter 63, Title 59 so as to allow certain students to use an Educational Opportunity Scholarship equal to a portion of the average state per pupil expenditure to transfer from a failing public school to another public school or to an independent school, to provide for an additional award for transportation of the transferring student, to define certain terms, to provide the duties of a failing public school and the duties and rights of the parent and student who wishes to transfer, and to provide for reporting, accountability, and conducting of examinations and investigations.

REVENUE IMPACT^{1/}

The total state and local impact for the scholarship and tax credit is estimated to be \$89,555,160. Of this amount, General Fund Income Tax Revenue would decrease an estimated \$66,921,492 for FY08-09 due to the Educational Opportunity Tax Credit. Additional state and local funding of \$22,633,668 would be required to enact the Educational Opportunity Scholarship program.

Explanation

This bill would provide an education scholarship to students attending failing schools and to handicapped students and provide an income tax credit to students attending independent schools, home schools or schools outside their district of residence. The scholarship provides students zoned for failing schools with household income less than 200% of poverty a scholarship of \$4500 to transfer to an independent school. We estimate that approximately 142,025 of the 189,367 students zoned for failing schools will be eligible for the scholarship and that 3,693 will attend an independent school for an estimated increase in funding of \$16,618,500 in FY09. Students with a physical or mental handicap may transfer from their school district to an independent school and will receive 75% of the base student cost multiplied by the student's EFA weighting classification. We estimate this amount to be \$3,481 and anticipate 1,728 handicapped students will elect to transfer to an independent school for an estimated cost of \$6,015,168. Additionally, if a scholarship qualifying student attends a school outside his district, the district must transfer 75% of the per pupil cost to the receiving district, resulting in a shift of local district funding. The total estimated additional state and local funding required for the scholarship program is \$22,633,668.

The bill also adds Chapter 18 to Title 12 to provide a school tuition income tax credit for students not receiving a scholarship. Students attending an independent school or paying to attend a school outside their residence district are eligible for a \$1000 income tax credit. Students with a physical or mental handicap are eligible for a tax credit of 75% of the weighted per pupil cost as calculated above of \$3,481. We anticipate that approximately 1,069 handicapped students attending an independent school will take the tax credit for an income tax revenue reduction of \$3,721,189. The remaining independent school population and public school students residing outside their district is estimated to be 55,408 students who will elect the \$1000 tax credit for a decrease of \$55,408,000 in income tax revenue. Home school students are eligible for a \$500 tax credit, and we estimate that 15,585 students will qualify resulting in an income tax revenue decrease of \$7,792,303 in FY09. The total anticipated reduction in General Fund State Income Tax Revenue is \$66,921,492 for FY09.

/s/ WILLIAM C GILLESPIE

William C. Gillespie, Ph.D.
Chief Economist

Analyst: Jolliff

^{1/} This statement meets the requirement of Section 2-7-71 for a state revenue impact by the BEA, or Section 2-7-76 for a local revenue impact, or Section 6-1-85(B) for an estimate of the shift in local property tax incidence by the Office of Economic Research.